

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
JANUARY 12, 2006

The Members of the Department of Financial Institutions met at 8:30 a.m., EST, at 30 South Meridian Street, Suite 300, Indianapolis, Indiana. Present from the Department were Judith G. Ripley, Director; J. Philip Goddard, Deputy Director, Chief Legal Counsel and Secretary; James M. Cooper, Deputy Director, Depository Division; Chuck T. Stumpf, Deputy Director, Administration Division; Mark K. Powell, Supervisor, Credit Union Division; Mark Tarpey, Supervisor, Consumer Credit Division; John Schroeder, Deputy Director, Non-Depository Division; Gina R. Williams, Supervisor, Administration Division and Ronda Bailey, Administrative Assistant. Also attending was Michael R. Brown, Vice President of Executive Media.

I. EXECUTIVE SESSION: 8:30 a.m.

- A. James Cooper presented to the Members a review of a report of examination which is confidential pursuant to IC 28-1-2-30. This aspect of the Executive Session is authorized by IC 5-14-1.5-6.1 (b)(7).

II. PUBLIC SESSION: 9:00 a.m.

- A. Members Present: David Bochnowski, Chairman; Joseph Pierce, Vice Chairman, Paul Sweeney and Travis Holdman. Members absent were Michael Davis and Rick Rice.
- B. Approval of the minutes of the meeting held December 15, 2005. Chairman Bochnowski entertained a motion to approve the minutes for December 15, 2005 meeting. Mr. Sweeney moved approval of the minutes; Mr. Pierce seconded the motion, and the motion passed unanimously.
- C. Date of next meeting. February 9, 2006 @ 10:00 a.m., at the Indiana Department of Financial Institutions, 30 South Meridian Street, Suite 300, Indianapolis, Indiana.
- D. No action was taken pursuant to the Executive Session, as the information was advisory only.
- E. The Members recessed at 9:45 a.m., to meet with the Ethics Commission regarding new ethics rules that were presented to the Members by Mary Hill, Information Director of the Indiana State Ethics Commission at the November 10, 2005, Members meeting. Ms. Hill was unable to answer several of the questions posed by the Members and suggested that the Members submit the questions for a formal review by the Ethics Commission. The DFI submitted the questions for a formal advisory opinion. The Members met with the Ethics Commission at 10:00 a.m. and the questions asked by the Members were answered.

F. Phil Goddard presented to the Members the following DFI Legislative summary for 2006.

- **Annual date changes in Titles 24 & 28 for references to federal law.**
- **Various Consumer Licensees**
 - o Clarifies when “minimum finance charges” are appropriate-Livingston
 - o Clarifies licensing/free requirements for those collecting loans
 - o Clarifies background check provisions for licensees
 - o Addresses issue of “straw licensees”
 - o Ensures that licensees pay their fair share for examinations Small Loan Act
- **Small Loan Act**
 - o Various amendments to eliminate perceived loophole being pursued by a few lenders with respect to collections-treble damages & atty fees
 - o Technical clarifications which respect the statutory “cooling off” period
 - o Clarification of database requirements
- **Anti-Money Laundering**
 - o Clarification of application to, and DFI authority to examine for compliance with, federal AML laws to depositories, money transmitter, check cashers, and pawnbrokers
- **Banks**
 - o Clarification of authority to lease excess office space
 - o Clarification of acceptable use of names (Banc, Banco & Bancorp)
 - o Clarifies and strengthens Cease and Desist provisions
 - o Bank owned life insurance powers are made consistent with federal charters and allows department to adopt implementing policy
- **DFI Electronic Banking Study of 2005 (Includes Credit Unions)**
 - o Specifically identifies permissible electronic activities
 - o Defines the factors that the department will consider when making a determination if a new electronic activity is authorized
 - o Authorizes electronic activities that are permitted for a national bank
- **Conservatorship language is added for credit unions and trust companies**
- **Include DFI Director as a voting member of Board**
- **Pawnbrokers**
 - o Background checks, straw licensee, bond, property & casualty insurance, relocation, judicial authority, other businesses, examination fees
- **Money Transmitters**
 - o Background checks, straw licensee, stored value cards, other businesses, examination fees
- **Check Cashers**
 - o Background checks, straw licensee, other businesses, examination fees

This item was for information purposes only.

G. An update on Advantage Pawnors & Jewelers, LLC, (Advantage) was given by Supervisor Mark Tarpey. Advantage was a pawn shop in Hammond, Indiana that moved in September of 2005 without giving proper notice to the DFI and to customers under the requirements of IC 28-7-5-10. See also IC 28-7-5-22, 24, 29 and 30. A Cease and Desist

Order was issued by DFI against Advantage as of December 9, 2005. DFI and the office of the Attorney General entered into negotiations with Attorney Robin Remley who represents Michael Adler and Advantage. Negotiations on an agreed order were not successful. A Notice and Emergency Order of Pawn License Revocation was issued by DFI on December 29, 2005. The order becomes effective 15 days after receipt. Notice was mailed by DFI to all pawn customers who were identified by pawn tickets reviewed by DFI. Customers were advised of their legal right to redeem pawned items for up to 60 days after the maturity date of their last loan payment. Customers were referred to private legal counsel, small claims court or the Lake County Prosecutor if they have evidence that Mr. Adler has not given them the proper opportunity to redeem pawned items. **This item was for informational purposes only.**

H. ACTIONS BY DELEGATED AUTHORITY:

1. AMERIANA BANK & TRUST, NEW CASTLE, HENRY COUNTY, INDIANA

The bank has applied to the Department for approval to pay dividends in excess of what is permitted by IC 28-13-4-3. The bank's dividend request asks approval to pay a cash dividend of \$675,000 to its holding company, Ameriana Bancorp, New Castle, Indiana. The dividend will be upstreamed to the parent holding company for its regular fourth quarter dividend and for other holding company expenses. As of September 30, 2005, the bank's Tier I leverage capital ratio is 8.34%. Proforma Tier 1 leverage capital ratio as of September 30, 2005, is approximately 8.26% after the payment of the dividend. **This was approved by the Director on December 14, 2005, under delegated authority.**

2. FREEDOM BANK, HUNTINGBURG, DUBOIS COUNTY, INDIANA

Freedom Bank is requesting to continue to buy back up to \$500,000.00 or approximately 25,000 shares of its outstanding common stock pursuant to IC 28-13-3-3. This stock repurchase program was initially approved by the Director under Delegated Authority on November 5, 2003. The bank has continued to purchase small blocks of stock from willing shareholders as they become available. To date, the bank has purchased 17,750 shares at a price of \$20.00 per share. Total purchases have amounted to \$335,000, well below the \$500,000 approved limit. The bank is requesting a one-year extension to continue the stock repurchase program. As of September 30, 2005, the bank's Tier 1 leverage capital ratio was 8.41%. On a pro forma basis as of September 30, 2005, if the entire \$500,000 were used, the Tier 1 leverage capital ratio would be approximately 8.32%. The bank's ROA as of September 30, 2005 was 1.04%. Approval is recommended to allow the bank until December 31, 2006 to continue to purchase small blocks of stock as they become available. Should the bank not complete the stock repurchase program within this time frame, another request to the director for additional time will be required. **This was approved by the Director on December 21, 2005, under delegated authority, subject to the above conditions.**

3. **FIRST INTERNET BANK OF INDIANA, INDIANAPOLIS, MARION COUNTY, INDIANA**

First Internet Bank of Indiana, (the "Bank") has applied for approval of a Plan of Exchange (the "Plan") between the Bank and First Internet Bancorp, Indianapolis, Marion County, Indiana ("Bancorp"), an Indiana corporation organized on September 15, 2005. The Plan provides each share of Bank common stock to be converted into one share of Bancorp common stock and each share of Bank non-voting common stock to be converted into one share of Bancorp non-voting common stock.

The Bank has 45,000,000 shares of common stock authorized, without par value, and 5,000,000 shares of preferred stock, without par value. Of the 5,000,000 authorized shares of preferred stock, 86,221 shares are authorized to be issued as non-voting common stock. At the effective time of the share exchange the Bank will have 1,924,230 shares of common stock issued and outstanding and 86,221 shares of non-voting common stock issued and outstanding. Bancorp currently has 50,000,000 shares of common stock authorized, without par value. At the effective time of the share exchange 100 shares of Bancorp common stock are issued and outstanding. In order to effect the organization of Bancorp the 100 shares of Bancorp were issued to Chairman of the Board and CEO David Becker for \$1,000. Within 30 days of the effective date of the Plan, these shares will be repurchased by Bancorp at a cash price equal to that paid by Mr. Becker. Immediately thereafter, the authorized and issued common shares will consist solely of the shares issued by Bancorp upon the conversion of the Bank's stock pursuant to the Plan.

The directors and officers of the Bank and Bancorp at the effective time of the plan of exchange shall continue as the directors and officers following the plan of exchange. The Plan will be approved if a majority of the outstanding shares of Bank common stock are voted to approve the Plan.

As of September 30, 2005, there were approximately 300 shareholders. The largest shareholder owns 148,874 shares (7.61%) of the outstanding common stock and therefore will own 7.61% of the outstanding Bancorp stock if the Plan is approved. Shareholders of the Bank who dissent from the Plan have the right to be paid the fair value of their shares in cash if they comply with the procedures specified in IC 28-1-7.5-8.

As of September 30, 2005, the Bank had total assets of \$419 million, total deposits of \$320 million, and total equity capital of \$43 million. The Bank's ROA as of September 30, 2005, was 0.53% and Tier 1 leverage capital ratio was 10.42%. The Bank waived its option to have a public hearing on the fairness of the terms of the Plan of Exchange as provided in IC 28-1-7.5-5. **This was approved by the Director on December 21, 2005, under delegated authority subject to the following conditions:**

- a. The Bank receive approval from the Federal Reserve Bank of Chicago, and
- b. The Plan of Exchange will be consummated within one year from the date of approval unless an extension of time is granted by the Director of the Department.

4. BIPPUS STATE BANK, HUNTINGTON, HUNTINGTON COUNTY, INDIANA

The bank has applied to the Department for approval to establish a branch office to be located at **106 West Street, North Manchester, Wabash County, Indiana**. The application was received on November 21, 2005. The branch is to be known as **North Manchester Branch**. The proposed branch is a 4,200 square foot, one story, newly constructed branch banking facility. The applicant purchased approximately 2 acres of land in the summer of 2005. The estimated cost for constructing the branch is \$750M. Furniture, fixtures and equipment costs are approximated at \$120M. No relationship exists between the parties involved in this transaction. The bank's three-year average ROA is 0.78%. As of September 30, 2005, the bank's ROA was 0.73% and its Tier 1 leverage capital ratio was 8.74%. The investment in total fixed assets to total capital will increase from 25.30% to 35.30% after the establishment of this branch. This will be the institution's third branch. **This was approved by the Director on December 21, 2005, under delegated authority.**

5. ARVIN G&F EMPLOYEES CREDIT UNION, COLUMBUS, BARTHOLOMEW COUNTY, INDIANA

The credit union has filed a request for approval of an amendment to its Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed the following organizations into the field of membership of the credit union:

Columbus Components Group, LLC – Columbus – 500 members (common bond of occupation as defined by 28-7-1-10). **This was approved by the Director on December 12, 2005, under delegated authority.**

6. STATE MERIT SERVICE CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

The credit union has filed a request for approval of an amendment to its Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed the following organizations into the field of membership of the credit union:

State of Indiana Department of Veterans Affairs – Indianapolis – 15 members (common bond of occupation as defined by 28-7-1-10)

State of Indiana Office of the Attorney General – Indianapolis – 300 members (common bond of occupation as defined by 28-7-1-10). **This was approved by the Director on December 20, 2005, under delegated authority.**

7. FORUM CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA

The credit union has filed a request for approval of an amendment to its Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership.) This amendment placed the following organizations into the field of membership of the credit union:

Pin Point Resources – Indianapolis – 50 members (common bond of occupation as defined by 28-7-1-10)

Porter Computer Services – Brownsburg – 1 member (common bond of occupation as defined by 28-7-1-10). **This was approved by the Director on December 20, 2005, under delegated authority.**

CERTIFICATION:

The Department certifies that the business discussed in the Executive Session was limited only to business that was set out in the Department's Notice of Meeting and Agenda under the heading of "Executive Session." All action taken by the Department, if any, relating to the business discussed in the Executive Session was conducted in the public place.

Other Business. Chairman Bochnowski asked if there was other business. There being no further business, Chairman Bochnowski adjourned the meeting.

APPROVED:

ATTEST:

David A. Bochnowski, Chairman

J. Philip Goddard, Secretary